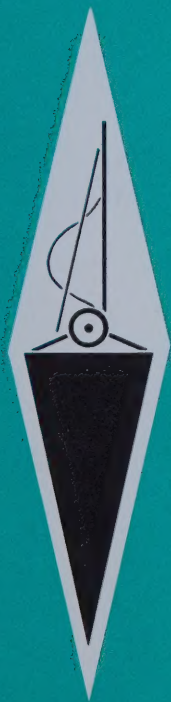


AR30

CAN-FER MINES LIMITED



1967 ANNUAL REPORT

ANNUAL GENERAL MEETING

The Annual General Meeting of Can-Fer Mines Limited will be held at 11 a.m., on Friday, May 10th, 1968, in the Nova Scotia Room, Royal York Hotel, Toronto, Ontario.

CAN-FER MINES LIMITED

<i>Officers</i>	Paul Porzelt, <i>Chairman</i>
	C. A. Burns, <i>President</i>
	D. A. Berlis, Q.C., <i>Secretary-Treasurer</i>
	R. N. Granger, <i>Asst. Secretary-Treasurer</i>
<i>Directors</i>	D. A. Berlis, Q.C. Toronto, Ontario <i>Partner, Edison, Aird & Berlis</i>
	Leonard Bughman Ligonier, Pennsylvania <i>President, Bughman Sales Company</i>
	C. A. Burns Toronto, Ontario <i>President, C. A. Burns Consulting Limited</i>
	H. Michael Burns New York, N.Y. <i>Exec. V.P., Burns Bros. & Denton, Inc.</i>
	Pemberton Hutchinson Philadelphia, Pennsylvania <i>Vice-President, Penn Virginia Corporation</i>
	John Kemmerer, Jr. New York, N.Y. <i>President, Whitney & Kemmerer, Inc.</i>
	E. B. Leisenring, Jr. Philadelphia, Pennsylvania <i>President, Penn Virginia Corporation</i>
	Paul Porzelt New York, N.Y. <i>Partner, Emanuel, Deetjen & Co.</i>
	Malcolm Richardson Toronto, Ontario <i>President, Richardson, de Pencier Ltd.</i>
<i>Auditors</i>	Thorne, Gunn, Helliwell & Christenson, Toronto, Ont.
<i>Transfer Agent and Registrar</i>	The Sterling Trusts Corporation, Toronto, Ont.
<i>Co-Transfer Agent</i>	First National Bank of Jersey City, Jersey City, N.J.
<i>Solicitors</i>	Edison, Aird & Berlis, Toronto, Ont.
<i>Consultants</i>	C. A. Burns Consulting Limited, Toronto, Ont.

Head Office: 100 ADELAIDE STREET WEST, TORONTO, ONTARIO
Branch Office: 355 BURRARD STREET, VANCOUVER 1, B.C.

Directors' Report to the Shareholders

IT is a pleasure to be able to report that during 1967 Can-Fer increased its earnings and, at the same time, expanded further as an active mineral exploration group in Canada and in the United States. Details of these and other of the company's activities during the past year and its program for the future are set out in the president's report below.

Our gross income for the year ended December 31, 1967, was \$274,879, somewhat larger than the 1966 figure of \$268,706. The increase was due to higher interest income from our investments.

Expenses for 1967 came to \$191,098 compared to \$112,154 the year before. Seventy-five percent of this increase of \$78,944 is accounted for by our stepped-up exploration effort during the period under review.

Can-Fer's working capital at the end of 1967 was \$1,400,978, which is \$62,901 less than in 1966, when the figure was \$1,463,879. Increases in company investments and fixed assets account for the decrease.

The company's 1967 field work was interrupted by a serious accident when the plane in which the president and one of our senior geologists were travelling in Western Canada crashed on 22nd July. Fortunately all occupants escaped without lasting injury. It was four days before they were spotted by a helicopter and rescued.

Your company in January 1968 became a major stockholder in Bralorne Pioneer Mines Ltd. of Vancouver, B.C.

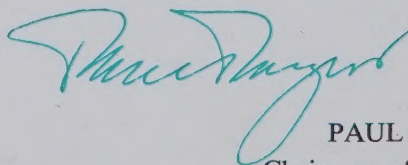
This company is one of the oldest and best known gold producers in the west. It also owns a subsidiary, Concrete Technology, that is in the pre-cast concrete business and operates a modern plant

outside Vancouver. Bralorne Pioneer Mines, in addition, owns 76% of the stock of Bralorne Oil & Gas Ltd. of Calgary, Alberta, a company which, in turn, owns oil and gas acreage in that province, Saskatchewan, and Manitoba, some of which is producing. Bralorne Oil & Gas Ltd. further has a 10% interest in a syndicate headed by Aquitaine Company of Canada Ltd. which owns oil and gas exploration rights on 5,100,000 acres along the southern shore of Hudson Bay.

Can-Fer's interest in Bralorne Pioneer now exceeds 200,000 shares, and we have two seats on the Bralorne board. A most cordial relationship between the two managements has already developed, among the first fruits of which is a joint exploration venture announced for 1968.

Algoma Steel has during the past year made it clear that they would not make an attempt to put our iron ore property near Kowkash into production until such time as the federal government's proposed tax treatment of mining properties is clarified. We hope that the uncertainty created by the original recommendations of the Carter Commission will be removed before too long.

Can-Fer has these last few years concentrated on building up its organization and on extending the company's range of influence. Your directors, on whose behalf it is my privilege to present this report and the financial statements as of December 31, 1967, look to the coming year with confidence.



PAUL PORZELT,
Chairman of the Board

March 6, 1968.

President's Report

DURING 1967 the company carried out an active exploration program and investigated a number of projects for investment.

Mineral exploration concentrated on the search for uranium without neglecting that for base metals and silver. The work undertaken comprised prospecting, geological investigations and mapping, aerial and ground geophysical surveys, geochemical surveys, the examination of prospects owned by others, and some diamond drilling. Most of this work was done in Canada, but prospects were examined also in the United States. The company participated in three prospecting syndicates.

The most important of the examinations carried out during 1967 was that of Bralorne Pioneer Mines Limited and that company's principal interests in gold mining, oil and gas, and precast concrete. As a result of this study, Can-Fer has since acquired a major interest in Bralorne. The chairman of the board, Mr. Paul Porzelt, in the directors' report to the shareholders has provided background data of the companies involved in this acquisition.

Aerial geophysical surveys were carried out in British Columbia and Alberta. They were followed by some examinations on the ground. No claims were staked. Towards the end of 1967, the company became a participant in a syndicate looking for base metals in British Columbia. Can-Fer's interest in this venture is now 25%. The work of this syndicate is continuing.

In Ontario, at Home Lake, west of Port Arthur, the company undertook an electromagnetic and detailed magnetometer survey over part of the property held there by Can-Fer. No further work in this area is contemplated at this time. Several properties were examined elsewhere in Ontario, but none were optioned.

Prospectors worked on claims held for uranium in Marconi township where showings were mapped and sampled. Assays of channel samples across the pegmatite dikes were low.

Claims held in Teetzel township, near Kapuskasing, which cover a carbonatite occurrence were prospected, and have been partly mapped. Further geological work will be done here in 1968.

Can-Fer had a 25% interest in a syndicate which optioned a nickel-copper prospect in Tooms township, Ontario, but the option was dropped when diamond drilling showed mineralization below ore grade.

During the year in Quebec, reconnaissance geochemical prospecting was carried out, and claims held for uranium near Johann Beetz were prospected, trenched, and sampled. The results of channel sampling were low, and no further work is to be done in these claims.

In New Brunswick, geochemical and geological examinations of claims held by Can-Fer in the Jacquet River and Bathurst areas were carried out. One group of claims is being retained for further examination. Extensive radiometric surveys were done in the province, but no ground was acquired.

Prospecting, and geochemical and scintillometer surveys were undertaken in Nova Scotia.

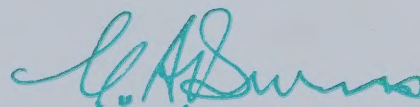
The flying accident which involved a company geologist and the writer and to which reference is made in the chairman's report occurred during the middle of the summer field season. The geologist was incapacitated for field work for several weeks, making it necessary to cancel part of the field program planned for 1967.

For 1968 an extensive exploration program is planned. Emphasis will continue to be placed on the search for uranium and base metals.

Bralorne Pioneer Mines Limited now participates in our exploration program. The increased overall budget of the joint venture enables Can-Fer to involve the company in more projects. At the same time, collaboration with Bralorne's mine operating staff is expected to enhance the effectiveness of mine examinations and feasibility studies.

Can-Fer opened an exploration office in Vancouver at the end of January 1968 with a newly appointed geologist working out of it.

I wish to thank all staff and employees for their efforts and loyalty during the past year and I must also thank the chairman and my colleagues on the Can-Fer board for their support, counsel and enthusiasm.



C. A. BURNS,
President

March 6, 1968.

CAN-FER MINES LIMITED

(Incorporated under the laws of Ontario)

Balance Sheet

(with comparative figures)

ASSETS

Current Assets

	1967	1966
Cash		\$ 8,318
Bank deposit receipts	\$1,220,000	1,400,000
Short term note, at cost	100,000	
Marketable securities, at cost (quoted market value 1967, \$1,875; 1966, \$2,225)	2,280	2,280
Accounts and accrued interest receivable	20,408	6,519
Accrued royalty receivable	83,333	83,333
	<u>1,426,021</u>	<u>1,500,450</u>
Shares in Another Company, at cost (quoted market value \$37,195)	<u>37,520</u>	

Fixed Assets

Equipment, at cost	19,811	7,885
Less accumulated depreciation	<u>6,580</u>	<u>788</u>
	<u>13,231</u>	<u>7,097</u>

Mining Properties and Deferred Expenditures (note 1)

Mining properties, at cost, leased under long-term agreement to The Algoma Steel Corporation, Limited	203,255	203,255
Exploration and administrative expenditures thereon less amounts written off	<u>789,077</u>	<u>872,858</u>
	<u>992,332</u>	<u>1,076,113</u>
	<u>\$2,469,104</u>	<u>\$2,583,660</u>

Auditors' Report

To the Shareholders of
Can-Fer Mines Limited

We have examined the balance sheet of Can-Fer Mines Limited as at December 31, 1967, and the statement of funds for the year then ended. Our examination included a general review of the evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of Can-Fer Mines Limited and application of its funds for the year then ended, in accordance with generally accepted accounting principles.

Toronto, Canada,
January 23, 1968.

CAN-FER MINES LIMITED*(Incorporated under the laws of Ontario)***December 31, 1967**

December 31, 1966)

LIABILITIES**Current Liabilities**

	1967	1966
Bank overdraft	\$ 10,186	
Bank loan		\$ 20,000
Accounts payable and accrued liabilities	14,857	16,571
	<u>25,043</u>	<u>36,571</u>

Shareholders' Equity

Capital stock (notes 2 and 3)

Authorized — 6,000,000 shares without par value
(\$1 par value in 1966)Issued — 3,434,260 shares 1,433,528 3,434,260
Less discount on shares 2,000,7321,433,528 1,433,528Retained Earnings 1,010,533 1,113,561
2,444,061 2,547,089

Approved on behalf of the Board:

PAUL PORZELT, Director

C. A. BURNS, Director

\$2,469,104\$2,583,6601, 1967 and the statements of income, retained earnings and source and application
accounting procedures and such tests of accounting records and other supportingcompany as at December 31, 1967 and the results of its operations and the source
accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,

Chartered Accountants.

CAN-FER MINES LIMITED

Statement of Income

Year ended December 31, 1967

(with comparative figures for 1966)

Revenue

	1967	1966
Royalties from lease of mining claims	\$ 200,000	\$ 200,000
Interest and dividends	74,879	68,706
	<u>274,879</u>	<u>268,706</u>

Expenses

Exploration including geology and supervision:

Staking, recording and claim fees	1,012	7,404
Grubstaking and prospecting	5,169	1,390
Geophysical surveys	20,047	10,852
Transportation and travelling	15,354	7,481
Salaries and geological fees	61,683	27,189
Diamond drilling	6,044	2,103
Engineering and consulting fees	1,989	
Assaying and sampling	1,334	837
Temporary equipment and supplies	6,332	5,227
Other costs	5,357	2,673
	<u>124,321</u>	<u>65,156</u>

Administrative:

Directors' fees	2,000	1,500
Administration	6,900	6,000
Legal, audit and accounting	15,047	11,633
Telephone	1,087	1,088
Share transfer expenses	4,065	2,029
Travelling	2,064	1,466
Stock exchange fees and expenses	264	3,051
Publicity and shareholders' information	9,502	8,082
Directors' expenses	4,850	838
Office rental	2,527	2,603
Depreciation of equipment (note 5)	6,165	788
Salaries	6,536	4,592
Office expense and stationery	1,601	1,781
Business and corporation taxes	2,010	
General expense	2,159	1,547
	<u>66,777</u>	<u>46,998</u>

Net income for the period before deducting undernoted item	83,781	156,552
Deduct portion of deferred exploration and administrative expenditures written off (note 5)	83,781	156,552
Net income for the year	<u>Nil</u>	<u>Nil</u>

Statement of Source and Application of Funds

Year ended December 31, 1967

(with comparative figures for 1966)

Source of funds

	1967	1966
Net income for the year	Nil	Nil
Add deferred exploration and administrative expenditures and depreciation written off which did not require cash outlay	\$ 89,946	\$ 157,340
Funds from operations	89,946	157,340

Application of funds

Purchase of securities	37,520	
Purchase of fixed assets	12,299	7,885
Dividend paid	103,028	
	152,847	7,885
Increase (decrease) in working capital	(62,901)	149,455
Working capital at beginning of year	1,463,879	1,314,424
Working capital at end of year	\$1,400,978	\$1,463,879

Statement of Retained Earnings

Year ended December 31, 1967

(with comparative figures for 1966)

	1967	1966
Balance at beginning of year	\$1,113,561	\$1,113,561
Deduct dividend	103,028	
Balance at end of year	\$1,010,533	\$1,113,561

Notes to Financial Statements

December 31, 1967

1. MINING PROPERTIES

Under the terms of an agreement dated March 25, 1965 the company granted an option to The Algoma Steel Corporation, Limited, to lease the company's mining properties. The sum of \$1,340,000 has been received by the company upon the exercise of this option and the company has leased its mining properties to The Algoma Steel Corporation, Limited under a 99 year lease computed from August 1, 1965. The agreement provides, among other terms, for the following:

- (a) An annual royalty or rental of \$200,000 for a period of 20 years or until the date of the first shipment of iron ore pellets from the mining properties. However, from the commencement, by the lessor, of incurring expenditures to bring the properties into commercial production, no royalty or rent shall be payable for the lessor of (1) four years or (2) the date that iron ore pellets are shipped from the mining properties. These annual payments are to be applied against royalties as calculated in (b) below.

- (b) Commencing with the first commercial shipment of iron ore pellets from open cut mining operations, the company shall receive royalties based on tonnages shipped as follows:

40¢ per gross ton shipped during the first year;

50¢ per gross ton shipped during the second year;

60¢ per gross ton shipped during the third year; and

65¢ per ton thereafter.

On iron ore pellets produced and shipped from ore mined by underground mining operations the royalty is 30¢ per gross ton of such pellets. The annual royalty on iron ore pellets shall not be less than \$350,000. This minimum payment would be reduced if steel ingot production in Canada is less than 75% of rated capacity.

- (c) The tonnage royalty described in (b) above will increase pro rata if the percentage of iron natural content of the pellets increases above 66%, and will increase or decrease pro rata if the published Lower Lake price of iron natural content of Lake Superior pellets increases or decreases from the published price at March 25, 1965.

2. OPTION ON CAPITAL STOCK

Under an agreement with an officer of the company an option was granted him to purchase 50,000 shares of the company's capital stock at \$1.25 per share, exercisable up to May 10, 1968 or until the later expiry of any renewal of the agreement.

3. CAPITAL STOCK

By supplementary letters patent dated April 20, 1967 the company changed its 6,000,000 shares with a par value of \$1 each into 6,000,000 shares without par value and decreased its issued capital from \$3,434,260 to \$1,433,528 by cancelling the discount of \$2,000,732.

4. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The direct remuneration of directors and senior officers (as defined by The Corporations Act) for the year ended December 31, 1967 was as follows:

Directors and executive officers . . .	\$ 8,000
Other employees	27,034

5. DEPRECIATION, DEPLETION AND AMORTIZATION

Depreciation on exploration and office equipment has been calculated at annual rates of 33⅓% and 10% respectively of the cost of the depreciable assets at the year-end.

No provision has been made for depletion of mining properties since no ore has yet been produced from the company's properties.

Exploration and administrative expenditures made by the company on its mining properties prior to August 1, 1965, the date of the lease agreement with The Algoma Steel Corporation, Limited (note 1), have been deferred. Since that date the company has written off amounts equal to the net income before write-offs.

The company proposes to continue this practice and to write off such additional amounts in the future as may be necessary in order that the cumulative amounts written off since the date of the lease will amount to not less than 5% per annum.

6. COMMITMENT

At December 31, 1967 the company had a commitment to purchase a varying number of shares of Bralorne Pioneer Mines Limited for amounts ranging from approximately \$265,000 to \$311,000.



CAN-FER MINES LIMITED